

# Periodic Disclosure for the APG Strategic Real Estate Pool

July 2023



## 24. APG Strategic Real Estate Pool

Periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

**Product name:** APG Strategic Real Estate Pool

**Legal entity identifier:** 5493000OH2JWBTM3J026

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Environmental and/or social characteristics	
<b>Did this financial product have a sustainable investment objective?</b>	
<input type="checkbox"/> <b>Yes</b>	<input checked="" type="checkbox"/> <b>No</b>
<input type="checkbox"/> It made <b>sustainable investments with an environmental objective:</b> ___% <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <input type="checkbox"/> It made <b>sustainable investments with a social objective:</b> ___%	<input type="checkbox"/> It <b>promoted Environmental/Social (E/S) characteristics</b> and while it did not have a sustainable investment as its objective, it had a proportion of ___% of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul> <input checked="" type="checkbox"/> It promoted E/S characteristics, but <b>did not make any sustainable investments</b>



## To what extent were the environmental and/or social characteristics promoted by this financial product met?

This product promotes the following environmental and/or social characteristics:

- Investments in this product adhere to the **Corporate Exclusion Policy**<sup>1,2</sup>.
- The **Corporate Inclusion Policy** applies to the listed investments in this product.
- **GRESB**<sup>3</sup> Participation in the Global Real Estate Sustainability Benchmark (GRESB) and the GRESB scores of the investments in the financial product.
- **CRREM**<sup>4</sup> - Performance of the investments in this product against CRREM pathways.
- **Green building certification** - The green building certifications of the investments in this product.
- **Sustainable Development Investments**<sup>5</sup> - An ambition applies to the pool to invest in Sustainable Development Investments (SDIs) and to increase investments in SDIs as part of the total NAV (Net Asset Value) of the pool.

Investing in SDIs is part of the pool's investment strategy and decision-making process in the sense that the pool actively seeks investments in SDIs. If an SDI has the same risk/return profile as an investment without the relevant SDI classification, then the SDI is preferred over the non-SDI investment. By means of this assessment per investment decision, the ambition is to achieve the highest possible percentage of SDIs as part of the total NAV of the pool.

- **Controversy screening** - Investments in this product are structurally monitored on (severe) controversies.
- **Climate risk** - Exposure to individual physical climate risk hazards for investments within this product.
- **Anti-bribery and anti-corruption policies, whistle-blower program** - Presence of anti-bribery and anti-corruption policies, and whistle-blower program.

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1) APG Corporate Exclusion Policy applies to this product. Based on this policy, this product does not invest in controversial weapons, nuclear weapons and tobacco.

2) Only exclusions that were in place at the time of this product's inception are applicable; amendments to the Exclusion Policy cannot be effected retrospectively.

3) <https://www.gresb.com/nl-en/>

4) <https://www.crrem.eu/>

5) Please note that Sustainable Development Investments do not constitute investments as defined by SFDR.

● **How did the sustainability indicators perform?**

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

Sustainability Indicator	Observations over reporting period
The absence of excluded products/companies in this financial product;	There were no excluded products in the pool, no incidents or breaches.
The share of leaders in the product, based on the Corporate Inclusion Policy methodology;	78% by NAV.
The GRESB score of investments in this product is being compared to the GRESB benchmark at both investment as well as product level;	Average GRESB score for the investments in this product is 84.5 which compares to an average score of 74 for all GRESB participants.
Asset / vehicle level performance against CRREM pathways ( <a href="http://www.crrem.eu">www.crrem.eu</a> and <a href="http://www.crrem.org">www.crrem.org</a> ) is being monitored and measured at both investment and product level;	At the product level, non-compliant exposure, i.e. exposure to investments that exceed their CRREM pathway amounts to 21.8% for GHG data and 32.1% for Energy data.
The share of green building certification of assets in operation is being monitored and measured;	16% of the area of the investments have been certified.
The sustainability indicator to measure SDIs is the % of investments classified as SDIs versus the overall NAV of this product;	56% of operational buildings are certified by area.
Structured monitoring and quarterly reporting on (severe) controversies for investments within this product;	We make use of RepRisk, where we have set up a watchlist for this product. Controversies, ESG incidents, and other news items with high headline risk are flagged and subsequently followed up on. Controversies that have been identified during the reporting periods follow our standard engagement framework. During the reporting period, no severe controversies have been identified.
Structured monitoring and measurement of exposure to individual physical climate risk hazards for investments within this product;	A Real Estate specific framework is in place to measure and monitor physical climate risk via an internal dashboard. The framework takes into account various physical risk factors and aggregates into a final score for each investment, providing visibility on such risks at various levels (regional, country, sector etc).
Structured monitoring and measurement of investments with anti-bribery and anti-corruption policies, as well as a whistleblower program in place.	Investments in this product are required to have such programs in place to be eligible for inclusion in the portfolio. The RepRisk controversy screen also captures controversies related to bribing and corruption.



**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

## How did this financial product consider principal adverse impacts on sustainability factors?

Sustainability Indicators <sup>6</sup>				
Indicator	Metric		Explanation	Observations/ data over the reporting period
PAI # 1	GHG emissions	Scope 1 GHG emissions	Scope 1, 2 and 3 GHG emissions of the investments in this product are measured and monitored. Scope 3 emissions include primarily emissions related to energy used by tenants.	Total GHG Emissions (T): <b>9,840,150 (T)</b>  Stemming from the investments in our portfolio, not corrected for product ownership interest.
		Scope 2 GHG emissions		
		Scope 3 GHG emissions		
		Total GHG emissions		
PAI # 2	Carbon footprint	Carbon footprint	Carbon footprint of the investments in this product are measured, monitored, and quantified to determine how much is attributable to this product, where measured data is available. If measured data is not available, APG will engage.	Carbon footprint defined as the weighted GHG emissions based on ownership interest in this product.  <b>462,952 (T)</b>
PAI # 3	GHG intensity of investee companies	GHG intensity of investee companies	GHG intensity of the investments in this product is measured against applicable CRREM pathways. Consequently, the GHG intensity is measured in terms of kgCO <sub>2</sub> /m <sup>2</sup> , which is industry practice and not measured in terms of GHG by enterprise value.	Total GHG Emissions (T): 9,840,150 (T) => 9,840,150,000 Kg SRE m <sup>2</sup> = 314,983,887  GHG intensity: <b>~31.2 (Kg) / m<sup>2</sup></b>
PAI # 4	Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	This product is not allowed to invest in companies active in the fossil fuel sector.	<b>None</b>

8) As measured on the proportion of investments that promote E&S characteristics only  
 9) Ibid  
 10) Ibid  
 11) Ibid  
 12) Ibid  
 13) As assessed on the proportion of investments that promote E&S characteristics only

PAI # 5	Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	Share of non-renewable energy consumption is generally available to the extent that entities report to GRESB.	<p>SRE Pool energy consumption: 28,602,388 MWh</p> <p>Renewable energy generated and consumed: 7,739,664 MWh (~27% of total)</p> <p>Share of non-renewable energy consumed: <b>~73%</b> of total energy consumption</p>
PAI # 6	Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	Energy consumption intensity for real estate assets is measured on a m <sup>2</sup> basis and compared to the CRREM pathways.	<p>SRE assets energy consumption SRE m<sup>2</sup> = 314,983,877</p> <p>28,602,388 MWh = 0.028 GWh</p> <p>Use MWh / m<sup>2</sup></p> <p>Energy consumption intensity: <b>~0.091 MWh / m<sup>2</sup></b></p>
PAI # 7	Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	Not measured and monitored. However, through promoting green building certification <sup>7</sup> APG aims to limit potential negative impacts.	<p>Share of green building certifications SRE total area= 314,983,150 m<sup>2</sup></p> <p>Total area certified = 32,659,556 m<sup>2</sup></p> <p><b>~10% by m<sup>2</sup></b> <b>~16% by NAV</b></p>

6) Reported data for PAI #1-7 and #18 has been assessed for GRESB participants only. These entities comprise 74% of exposure within this financial product as per year end 2022.

7) For all new investments we recognize the following green rating schemes: Europe (BREEAM), US (BREEAM USA, LEED), Australia (GreenStar), Japan (CASBEE, DBJ, BREEAM), Other Countries (BREEAM, LEED, GRESB Tier 1 schemes (excluding WELL)). In our reporting we recognize GRESB Tier 1 schemes excluding WELL.

PAI # 10	Violations of UN Global Compact principles and Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises.	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises.	Monitored but not measured, as the definition is currently unclear. Breaches will be followed up by engagement and reporting. Engagements will be shared with clients on a quarterly basis or on demand. To mitigate any breaches, anti-bribery and anti-corruption policies are required, as well as a whistleblower program.	<b>None</b>
PAI # 11	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises.	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises.	Based on the Corporate Inclusion Policy, investments in this product are assessed on the presence of processes and mechanisms to monitor compliance with the UNGC Principles and the OECD Guidelines for Multinational Enterprises. This includes the requirement to have anti-bribery and anti-corruption policies in place, as well as a whistleblower program.	<b>None</b>
PAI # 13	Board gender diversity.	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members.	For listed investments, this is being monitored and measured whilst also informing our voting decisions.	1a). Male vs female 1b). > 30% diversity KPI 2). Voting decisions  Boardmember Female/Male Ratio:  <b>31%</b> (for the ones we have data, listed only) <sup>8</sup> .

PAI # 14	Exposure to controversial weapons	Share of investments in investee companies involved in the manufacture or selling of controversial weapons.	Based on the Exclusion Policy, no investments in controversial weapons are allowed to be made.	<b>None</b>
PAI # 18	Exposure to energy-inefficient real estate assets.	Share of investments in energy-inefficient real estate assets.	Exposure to inefficient real estate assets is being monitored through CRREM compliance, but not in accordance with the prescribed formula. The CRREM pathways are science-based and it is assumed that these pathways are more stringent than the formula provided by the SFDR. Furthermore, the formula as prescribed by the SFDR can only be applied to investments in Europe, whilst the product includes investments globally. Finally, the definitions of e.g. NZEB rules are not available in all MS to date. Consequently, APG is at the position that the CRREM methodology is a more conservative approach.	CRREM Non-compliant exposure: <b>32.1%</b> Using 2023 updated CRREM pathways.



The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: 2022

## What were the top investments of this financial product?

#	Largest investments	Sector	% of Exposure	Country	Exposure (mln, EUR)
1	Prologis Inc	Logistics	4.29%	United States	1,800
2	Goodman Hong Kong Logistics	Logistics	3.35%	Hong Kong	1,406
3	VIA Outlets	Retail	2.93%	Multi Country	1,230
4	Scape UK	Residential	2.85%	United Kingdom	1,197
5	Delancey / GLL	Residential	2.58%	United Kingdom	1,085
6	CitizenM	Hotels	2.16%	Multi Country	909
7	Alexandria Real Estate Equities Inc	Other	2.11%	United States	886
8	Steen and Strom	Retail	2.05%	Multi Country	861
9	Digital Realty Trust Inc	Other	2.01%	United States	846
10	Archer Hotels	Hotels	1.94%	Multi Country	816
11	Greystar Growth & Income Fund	Residential	1.94%	United States	814
12	Goodman Trust Australia	Logistics	1.92%	Australia	805
13	TH European Outlet Mall Fund	Retail	1.84%	Multi Country	773
14	ESR China Logistics Development JV1	Logistics	1.82%	China	763
15	Exeter National Core Portfolio	Logistics	1.71%	United States	720
	<b>Total</b>		<b>35.50%</b>		<b>14,911</b>



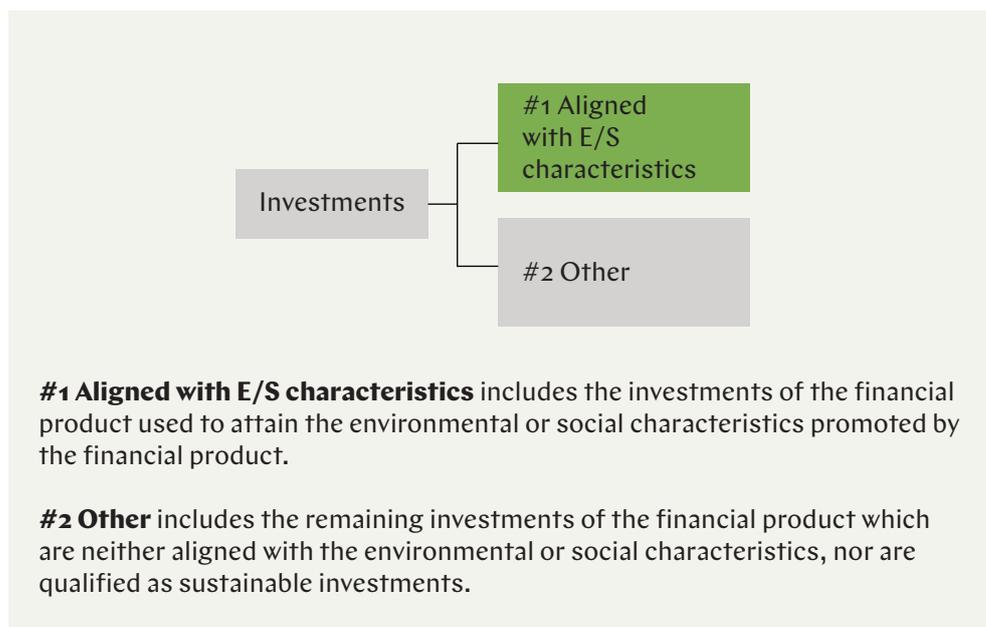
**Asset allocation** describes the share of investments in specific assets.

## What was the proportion of sustainability-related investments?

The minimum proportion of investments in this financial product that meet the environmental or social characteristics promoted by the financial product is greater than 90%. The remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments constitute debt-related real estate investments and/or exposures to real estate related businesses and derivatives.

● **What was the asset allocation?**

The asset allocation of this product is split between investments “aligned with E&S characteristics” (64.6%) and “other” (35.4%). All investments aligned with E&S characteristics are held directly.



● **In which economic sectors were the investments made?**

Real Estate – The purpose of the pool is to provide access to a diversified portfolio of equity investments in real estate.

Real Estate Sectors allowed:

Residential, logistics, offices, retail, hotels, and other real estate (e.g. health care, industrial, car parks, data centers<sup>9)</sup>).

Exposure to real estate (related) debt, held directly and indirectly, is limited to 5% of the Net Asset Value of the pool. All debt investments are secured by or have a lien to property and/or property developments.

Exposure to real estate related businesses not having a direct lien to existing pool investments is limited to 2.5% of the Net Asset Value of the pool.



**What investments were included under “other”, what was their purpose and were there any minimum environmental or social safeguards?**

9) For data centers, standalone retail co-location and hyperscale data centers are typically considered to fall within the scope of eligible assets for this Pool, with other types (typically related to an integrated communications network / telecommunication towers) considered to fall outside of the scope of eligible assets.

Investments that are subject to engagement as they do not meet the environmental and/or social characteristics promoted by this financial product and derivatives. In this pool, 35.4% of invested capital falls under “#2 Other.” Minimum environmental and/or social safeguards are not relevant for this financial product.



### **What actions have been taken to meet the environmental and/or social characteristics during the reference period?**

We have sent a season letter to the companies in which we invest describing our expectations. Following this letter, we held follow-up company dialogues and engagements focusing on our minimum expectations. In addition, APG has become a member of the Global Real Estate Engagement Network (G.R.E.E.N) which promotes similar E&S characteristics.

We held three internal regional meetings to inform all portfolio managers on the minimum requirements and list of engagements. The meetings and engagement progress with the companies are recorded in our internal KMS system for listed titles and in an internal system for private investments.